

# First full year of operations



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**Visits**  
(‘000)

**2.8m**



**EBITDA loss**  
(AED million)

**210m**



**Revenue**  
(AED million)

**541m**



Progress has been made in delivering visitation and occupancy growth, however international visitation continues to fall behind initial expectations and must ramp up to deliver on our target of EBITDA break-even.

**We have completed our transition from project delivery in 2017 to full operations in 2018. As a result we now have a pattern of trading performance and we are more able to accurately forecast our growth trajectory.**

All of our phase one rides and attractions were in place from the start of the year and the Lapita™ Hotel continued to gain traction. Our cost-saving initiatives, including renegotiation of key supplier contracts and headcount savings, have significantly reduced our cost base and our capital structure has been enhanced through our debt realignment and the injection of AED 1.2 billion in the form of convertible bonds from our majority shareholder, Meraas Group.

2018 showed an upward trend, with visit numbers increasing 22 percent year-on-year, hotel occupancy reaching 60 percent, up from 35 percent in the prior year, and EBITDA losses reduced by 50 percent. This should be viewed as a positive development for a leisure and entertainment resort still in its infancy.

However, it should also be noted that these gains are insufficient to help us achieve EBITDA break-even, which is our primary objective. Our focus remains on driving international visitors to our destination and we have our strategy in place to do so. By introducing more hotel rooms to the destination we will provide packaged offers to international tourists across a variety of price points and experiences, whilst leveraging our strategic partnerships and targeting our marketing into our key source markets and in particular those with the shortest flight times.

Concurrently we are proposing, subject to shareholder approval, to further enhance our destination through the re-utilisation of rides and proceeds originally intended for the Six Flags Dubai project, cementing our position as the leading integrated theme park destination in the region.

#### **Expansion plan**

At the time of publishing this report, the Board of Directors are recommending, subject to shareholder approval, to utilise a select portfolio of the rides originally intended for the Six Flags Dubai project to further enhance the consumer experience at two of DPR's key assets, MOTIONGATE™ Dubai and Bollywood Parks™ Dubai.

The proposed expansion will further diversify our entertainment offering, attract a wider demographic of visitors, increase dwell times and encourage repeat visitation. Three rides are currently world-record-breaking, including the most zero-gravity moments for a rollercoaster and the world's tallest vertical swing ride.

The remaining rides will be stored and installed as part of ongoing annual enhancement capex, ensuring that the consumer offering is protected into the future.

The proposed expansion will be funded through existing cash reserves with no additional debt and any surplus funds will be utilised for corporate purposes. We believe this is the best option to ensure long-term shareholder value.

**Hotels to support international visitor demand, target new demographics and drive revenue**

Growth in international visitation is important to the future success of DPR and our near-term goal to deliver EBITDA break-even. We saw strong growth in 2018, with tourists constituting 40 percent of our visitation, to deliver on our target of EBITDA break-even, further growth in international visitation is required.

A central pillar of the strategy to deliver growth in international visitors is our hotel strategy, which aims to deliver over 1,300 hotel rooms to the destination by 2020. To support this, the LEGOLAND® Hotel will open at DPR in the first half of 2020, which will add a further 250 family-sized rooms to the existing hospitality offering and is a first-of-its-kind in the region, enabling DPR to attract a greater number of families through bundled hotel package deals.

In addition, the third-party owned and operated Rove Hotel will open in 2019, adjacent to DPR.

The opening of the Rove Hotel will add 579 rooms to the destination and broaden the overall hotel offering to appeal to a wider demographic of value-focused visitors.

The success of Lapita™ Hotel, our on-site, Polynesian-themed hotel, vindicates DXBE's strategy to add further hotels to the destination. A hotel creates a holistic experience in one location, increases dwell time and changes the mood of your visit. The 504-room Lapita™ Hotel delivered over 400,000 visits in 2018 and we are confident that our new hotels will have a similar impact going forward.

**Ecosystem of partnerships**

Strategic partnerships are important to help us increase international visitation. We now have partnerships in place with major brands such as Emirates Airline, Jumeirah Group, Dubai Airports, Dubai Duty Free, Dubai Tourism & Commerce Marketing and Roads & Transport Authority, in addition to our hotel partners. We also announced a partnership with China's UnionPay as well as with the Hala China initiative to generate further brand awareness in China.

The launch in late 2018 of a Department of Tourism and Commerce Marketing (DTCM) advertising campaign promoting Dubai internationally as a theme park destination is an exciting development. It builds on the city's reputation as a preferred leisure and entertainment destination offering family-friendly experiences, connectivity and safety across a variety of best-in-class experiences.

With regard to our tour and travel and industry partners, we are gradually moving from a bulk- and volume-based strategy to incentive-based pricing, rewarding our partners on delivery of annual revenue targets.

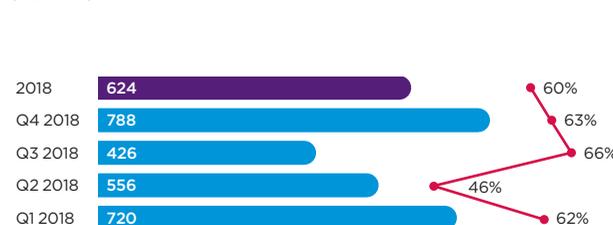
DPR's fortunes are, to a large extent, being shaped by our ability to target and attract international visitors from core international markets such as the Kingdom of Saudi Arabia, China, the Indian subcontinent, Russia and the United Kingdom.

**Hotels to drive international visitation**

Over 1,300 hotel rooms at DPR in 2020 to increase length of stay, dwell time and promote bundle packages.



**Average occupancy and ADRs (% , AED)**



In the near term we will direct a greater proportion of our advertising spend towards our international markets and in particular to those within shorter flight times and therefore with a higher propensity for visitation.

Family tourism is a significant component of Dubai's tourism and our core target market. We accept that we will always be competing against other attractions in Dubai, so we will keep pushing the DPR value proposition, and make it so persuasive, that the parks become another of the city's must-see attractions on the travel itineraries of our international family visitors.

We are leaving no stone unturned in our efforts to do so and can highlight some successes in this area. The collaboration with Emirates, for example, delivers Emirates customers with a unique value proposition whilst providing DPR with a valuable cross-promotional platform to build pre-arrival awareness.

Our offering caters to all market segments; the movie-themed MOTIONGATE™ Dubai has the broadest demographic appeal whilst LEGOLAND® Dubai and the LEGOLAND® Water Park cater to the 2-12 audience. Bollywood Parks™ Dubai is a first-of-its kind entertainment park, targeting the significant South Asian resident and international communities. Our broad appeal is to our advantage, however this necessitates a multi-faceted marketing approach, with strategies tailored to each market segment.

#### Industry recognition

DPR received a number of awards during the year, recognising its position as the region's largest integrated theme park destination. The DreamWorks™ zone at MOTIONGATE™ Dubai received a prestigious 2018 Outstanding Achievement Award from the Themed Entertainment Association. MOTIONGATE™ Dubai also won in the Best Theme Park in UAE category at the 2018 Time Out Dubai Kids Awards, and LEGOLAND® Water Park won the Best UAE Water Park at the Time Out Dubai Kids awards, with LEGOLAND® Dubai highly commended.

#### Outlook

The principal focus for 2019 is to maintain our cost base whilst continuing to grow visitation with an emphasis on visitation from our key source markets. The opening of the Rove Hotel in the second half of 2019 will provide a further boost in visitation to the destination and we are working hard to ensure the successful launch of the LEGOLAND® Hotel in 2020. Furthermore, the proposed expansion plan for MOTIONGATE™ Dubai and Bollywood Parks™ Dubai will diversify visitor demographics and increase dwell times.

The management team is committed to reaching the EBITDA break-even target during the second half of 2020 and we believe that we have the strategy in place to deliver this.



**Mohamed Almula**

Chief Executive Officer and Managing Director



#### Lapita™

Hotel occupancy reached 60 percent, delivering over 400,000 visits to the destination in 2018.

60%

